

CHAPTER-I – GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non tax revenue raised by Government of Uttar Pradesh during the year 2003-04, State's share of divisible Union taxes and grants-in-aid received from Government of India during the year and corresponding figures for the preceding four years are given below:

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
I. Revenue raised by the State Government					
(a) Tax revenue	9400.91	10979.97	10388.82	12783.81	13601.23
(b) Non tax revenue	2011.74	1944.65	1787.07	1913.49	2282.08
Total	11412.65	12924.62	12175.89	14697.30	15883.31
II. Receipts from the Government of India					
(a) State's share of divisible Union taxes	7478.90	9045.47	10130.49	10814.87	13272.97 [^]
(b) Grants-in-aid	2603.57	2773.18	3291.53	2309.02	2481.69
Total	10082.47	11818.65	13422.02	13123.89	15754.66
III. Total receipts of the State (I + II)	21495.12	24743.27	25597.91	27821.19	31637.97
IV. Percentage of I to III	53	52	48	53	50

1.1.2 The details of tax revenue for the year 2003-04 along with the figures for the preceding four years are given in the following table :

(Rupees in crore)

Revenue Head	1999-2000	2000-01	2001-02	2002-03	2003-04	Increase (+) or decrease (-) in 2003-04 with reference to 2002-03	Percentage of increase or decrease with reference to 2002-03
1. Trade Tax	3703.59	5436.52	5052.40	6850.93	7684.13	(+) 833.20	(+) 12.16
2. State Excise	2126.33	2238.54	1961.38	2555.05	2472.37	(-) 82.68	(-) 3.23
3. Stamp Duty and Registration Fees	1177.57	1269.75	1429.29	2078.68	2296.06	(+) 217.38	(+) 10.45
4. Taxes on Goods and Passengers	100.26	85.81	76.65	77.33	80.21	(+) 2.88	(+) 3.72
5. Taxes on Vehicles	512.10	543.08	503.04	618.84	676.96	(+) 58.12	(+) 9.39
6. Taxes and Duties on Electricity	126.41	136.30	9.22	145.29	174.72	(+) 29.43	(+) 20.26
7. Land Revenue	116.09	69.85	72.93	64.23	117.67	(+) 53.44	(+) 83.20
8. Other Taxes and Duties on Commodities and Services	135.89	504.58	152.34	100.02	92.78	(-) 64.23	(-) 40.90
9. Other (Hotel receipts and corporation tax, etc.)	5.29	4.49	3.67	3.70	6.33	(+) 2.63	(+) 71.08
Total	9400.91	10979.97	10388.82	12783.81	13601.23	(+) 1050.17	(+) 8.21

[^] For details, please see statement No. 11- detailed accounts of revenue by Minor Heads in the Finance Accounts of the Government of Uttar Pradesh for the year 2003-04 figures under the majors "0020 – Corporation Tax, 0021, Other taxes on income and Expenditure, 0028, Taxes on Income other than Corporation Tax, 0032 – Taxes on Wealth, 0037- Customs, 0038 – Union Excise Duties, 0044 – Service Tax and 0045- Other taxes and duties on commodities and services- share of net proceeds assigned to states booked in the Finance Accounts under 'A-Tax Revenue' have been excluded from Revenue raised by the state and included in 'State's share of divisible Union taxes' in this statement.

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The reasons for variation where it was substantial, though called for (November 2004 and January 2005) from the State Government, have not been received (March 2005).

1.1.3 The details of non-tax revenue for the year 2003-04 along with the figures for the preceding four years are exhibited in the following table :

(Rupees in crore)							
Revenue Head	1999-2000	2000-01	2001-02	2002-03	2003-04	Increase (+) or decrease (-) in 2003-04 with reference to 2002-03	Percentage of increase/ decrease with reference to 2002-03
1. Misc. General Services	126.80	55.48	39.44	48.28	41.80	(-) 6.48	(-) 13.42
2. Interest Receipts	476.68	525.17	543.49	515.38	658.09	(+) 142.71	(+) 27.69
3. Forestry and Wild Life	160.52	76.86	68.31	86.27	60.96	(-) 25.31	(-) 29.34
4. Major and Medium Irrigation	40.16	282.13	115.76	90.12	136.10	(+) 45.98	(+) 51.02
5. Education, Sports, Art and Culture	137.63	177.24	137.66	255.35	227.68	(-) 27.67	(-) 10.84
6. Other Administrative Services	103.70	61.51	131.47	110.95	116.91	(+) 5.96	(+) 5.37
7. Non-ferrous Mining and Metallurgical Industries	180.17	196.44	190.19	262.54	251.05	(-) 11.49	(-) 4.38
8. Police	53.17	85.29	67.38	95.40	75.91	(-) 19.49	(-) 20.43
9. Crop Husbandry	16.51	58.36	75.77	25.58	188.73	(+) 163.15	(+) 637.80
10. Social Security and Welfare	26.37	23.53	36.33	19.59	33.65	(+) 14.06	(+) 71.77
11. Medical and Public Health	34.97	31.74	31.14	41.44	42.69	(+) 1.25	(+) 3.02
12. Minor Irrigation	36.61	18.96	17.73	12.11	18.53	(+) 6.42	(+) 53.01
13. Roads and Bridges	24.30	29.93	16.27	17.97	41.79	(+) 23.82	(+) 132.55
14. Public Works	26.77	26.94	14.66	25.26	19.92	(-) 5.34	(-) 21.14
15. Co-operation	17.76	6.54	5.23	6.18	7.57	(+) 1.39	(+) 22.49
Others	549.62	288.53	296.24	301.07	360.70	(+) 59.63	(+) 19.81
Total	2011.74	1944.65	1787.07	1913.49	2282.08	(+) 368.59	(+) 19.26

The reasons for variation where it was substantial, though called for (November 2004 and January 2005) from the state Government, have not been received (March 2005).

1.2 Variations between Budget estimates and actuals

The variations between Budget estimates and actuals of tax and non-tax revenues during the year 2003-04 are given in the table below:

(Rupees in crore)				
Revenue Head	Budget estimates	Actuals	Variation Increase (+) short fall (-)	Percentage of variations
1	2	3	4	5
A. Tax Revenue				
1. Trade Tax	8138.49	7684.13	(-) 454.36	(-) 5.58

1	2	3	4	5
2. State Excise	2850.00	2472.37	(-) 377.63	(-) 13.25
3. Stamp duty and Registration fee	2200.00	2296.06	(+) 96.06	(+) 4.37
4. Taxes on Goods and Passengers	529.92	80.21	(-) 449.71	(-) 84.86
5. Taxes on Vehicles	455.97	676.96	(+) 221.01	(+) 48.47
6. Other Taxes and Duties on Commodities and Services	175.61	92.78	(-) 82.83	(-) 47.16
7. Taxes and Duties on Electricity	169.32	174.72	(+) 5.40	(+) 0.31
8. Land Revenue	75.00	117.67	(+) 42.67	(+) 56.89
B. Non-Tax Revenue				
1. Misc. General Services	81.10	41.80	(-) 39.30	(-) 48.45
2. Interest Receipts	438.97	658.09	(+) 219.12	(+) 49.92
3. Forestry and Wild Life	67.06	60.96	(-) 6.01	(-) 8.96
4. Major and Medium Irrigation	196.50	136.10	(-) 60.40	(-) 30.73
5. Education, Sports, Art and Culture	160.02	227.68	(+) 67.66	(+) 42.28
6. Non Ferrous Mining & Metallurgical Industries	250.00	251.05	(+) 1.05	(+) 0.42

The reasons for variation where it was substantial, though called for (November 2004 and January 2005) from the state Government, have not been received (March 2005).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and percentage of such expenditure to the gross collection during the years 2001-02, 2002-03 and 2003-04 along with the relevant All India Average percentage of expenditure on collection to gross collection for 2002-03 are given below:

(Rupees in crore)

Revenue head	Year	Gross Collection	Expenditure on Collection	Percentage of expenditure to gross collection	All India Average for the year 2002-03
Trade Tax	2001-02	6158.55	139.99	2.3	1.18
	2002-03	6850.93	167.40	2.4	
	2003-04	7684.13	197.13	2.6	
Taxes on Vehicles, Goods & Passengers	2001-02	644.10	11.27	1.7	2.86
	2002-03	696.17	11.76	1.7	
	2003-04	757.17	¶12.71	1.7	
State Excise	2001-02	1963.89	24.67	1.3	2.92
	2002-03	2555.05	25.75	1.0	
	2003-04	2472.37	28.51	1.2	
Stamp Duty and Registration Fees	2001-02	1473.88	19.82	1.3	3.46
	2002-03	2078.68	36.63	1.8	
	2003-04	2296.06	50.59	2.2	

It would be seen from the above that the expenditure on collection under the head 'Trade Tax' is higher as compared to the National average.

1.4 Arrears in assesment

The number of assessments pending at the beginning of the year, cases becoming due during the year, cases disposed of during the year and the cases pending finalisation at the end of the year, as reported by the Trade Tax Department for the years 1998-99 to 2003-04 are given in the table:

¶ As intimated by Department.

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Year	Opening Balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
1998-99	442379	466899	909278	489535	419743	53.84
1999-2000	457508	489838	947346	489357	457989	51.66
2000-01	457989	461697	919686	490853	428833	53.37
2001-02	428833	524561	953394	485771	467623	50.95
2002-03	467623	529858	997481	521969	475512	52.33
2003-04	475512	483428	958940	476263	482677	49.67

It was seen that the opening balance of the year 1999-2000 differs from the closing balance of the preceding years. The department stated that this was due to information received from other departments during the year and rectification of mistakes. The department needs to correct the system of maintenance of records to ensure consistency and correctness of statistics.

1.5 Collection of Trade Tax per assessee

Number of assesses, Trade Tax revenue and revenue per assessee during the years 1999-2000 to 2003-04 as intimated by the Department are given in table:

(Rupees in lakh)

Year	No. of assessee	Trade Tax revenue	Revenue / Assessee
1999--2000	3.99	378474.00	0.95
2000-01	3.83	582892.00	1.52
2001-02	3.85	615855.00	1.59
2002-03	4.07	710393.00	1.74
2003-04	4.52	765135.00	1.69

During the year 2000-01, number of assesses decreased due to their transfer in Uttaranchal State and Trade Tax revenue increased subsequently due to levy of entry tax on Petrol/Diesel, which was transferred from State Excise Department to Trade Tax Department.

1.6 Arrears of revenue

As on 31 March 2004, arrears of revenue under principal heads of revenue as reported by the concerned Departments were as under:

(Rs. in crore)

Sl. No.	Heads of revenue	Arrears pending collection		Amount of deferred tax not due for recovery	Remarks
		Total	More than 5 years old		
1	2	3	4	5	6
1	Trade Tax	6297.09	Not available	3505.66	Out of Rs. 6297.09 crore, demand for Rs. 504.09 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 918.19 crore and Rs. 274.62 crore and Rs. 146.55 crore had been stayed by the courts, Government and administrative authorities respectively. Recoveries amounting to Rs.2166.30 crore were held up due to rectification / review applications. Demand for Rs. 1077.12 crore was likely to be written off Rs. 209.96 crore was outstanding against sick industrial units. Demand of Rs. 1000.26 crore is outstanding different categories of dealers and Government/ Semi-government Department. Specific action taken in respect of remaining arrears had not been intimated by the Department.

1	2	3	4	5	6
2	Entertainment Tax	9.36	3.29	Nil	Department stated that concerned authorities had been directed to realize the arrears as early as possible.
3	State Excise	59.12	Nil	19.03	Out of Rs. 59.12 crore demand for Rs. 40.09 crore had been certified for recovery as arrears of land revenue. Recoveries amounting to Rs. 16.81 crore had been stayed by the courts and Rs. 2.22 crore declared insolvent.
4	Forestry and wild life	10.82	9.06	0.27	Out of Rs. 10.82 crore, demand of Rs. 7.91 crore had been certified for recovery as arrear of land revenue. Recovery amounting to Rs. 0.27 crore had been stayed by the court. Specific action taken in respect of remaining arrears of Rs. 2.64 crore had not been intimated by the department.

1.7 Results of audit

Test check of records of Trade Tax, State Excise, Taxes on Vehicles, Goods and Passengers, Stamp Duty and Registration Fee, Land Revenue, and Public Works Department etc. conducted during the year 2003-04 revealed under-assessments/short levy/loss of revenue amounting to Rs. 799.81 crore in 4210 cases. During the course of the year 2003-04 the concerned departments accepted under-assessments etc. of Rs. 2.98 crore involved in 122 cases, of which 59 cases involving Rs. 16.10 lakh had been recovered upto March 2004.

This report contains 25 paragraphs including 3 reviews relating to non levy, short levy of tax, duty, interest, penalty etc. involving Rs. 473.20 crore. The Departments/Government have accepted audit observations during discussion between September and October 2004 involving Rs. 104.01 crore in 32 cases. No replies have been received in remaining cases (November 2004).

1.8 Outstanding Inspection Reports and audit observations

Audit observations on incorrect assessments, short levy of taxes, duties, fees, etc. as also defects in initial records noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports. The more important irregularities are reported to the heads of departments and Government. The heads of offices are required to furnish replies to the inspection reports through the respective heads of departments within a period of two months.

The number of inspection reports and audit observations relating to revenue receipts issued up to 31 December 2003 which were pending settlement by the departments as on 30 June 2004, along with corresponding figures for the preceding two years are as given below:

Sl. No.		2002	2003	2004
1.	Number of inspection reports pending settlement	9323	9308	8412
2.	Number of outstanding audit observations	17168	15741	17506
3.	Amount of revenue involved (Rs. in crore)	5196.31	2727.30	4296.86

Department-wise break-up of the inspection reports and audit observations outstanding as on June 2004 is given in the following table:

Audit Report (Revenue Receipts) for the year ended 31 March 2004

Sl. No.	Nature of receipts	Number of outstanding inspection reports	Number of outstanding audit observations	Amount of revenue involved (in crores of rupees)	Year to which the observations relate
1	Forestry and Wild life	1023	2133	1566.61	1991-92 to 2003-04
2	Trade Tax	910	4830	1573.82	1984-85 to 2003-04
3	State Excise	759	1132	245.71	1984-85 to 2003-04
4	Land Revenue	917	1231	42.72	1987-88 to 2003-04
5	Taxes on Vehicle, Goods and Passengers	1142	2410	66.35	1984-85 to 2003-04
6	Public Works	469	765	26.26	1985-86 to 2003-04
7	Irrigation	412	708	341.88	1984-85 to 2003-04
8	Taxes on purchase of sugarcane	121	137	59.31	1985-86 to 2003-04
9	Stamp Duty and Registration Fee	1669	2889	33.93	1984-85 to 2003-04
10	Agriculture	226	346	111.88	1985-86 to 2003-04
11	Electricity Duty	353	393	196.35	1985-86 to 2003-04
12	Food and Civil supplies	127	179	19.83	1991-92 to 2003-04
13	Cooperation	114	123	5.91	1985-86 to 2003-04
14	Entertainment Tax	170	230	6.30	1986-87 to 2003-04
Total		8412	17506	4296.86	

This was brought to the notice of Government in November 2004 and January 2005; intimation regarding steps taken by the Government to clear the outstanding inspection reports and audit observations has not been received (January 2005).

1.9 Audit Paragraphs/Reviews outstanding for discussion by Public Accounts Committee as on 30 November 2004

The details of audit paragraphs and reviews awaiting discussion by the Public Accounts Committee are as follows:

Year	Trade Tax	State Excise	Taxes on Vehicle, Goods and Passengers	Stamp Duty and Registration Fees	Land Revenue	Other Tax Receipts	Forest Receipts	Other Departmental Receipts
1984-85	10	Nil	09	09	02	Nil	11	09
1985-86	11	07	16	04	05	07	11	14
1986-87	12	04	23	04	03	05	11	14
1987-88	14	10	17	05	05	06	08	Nil
1988-89	19	11	09	04	04	05	07	16
1989-90	12	10	09	02	06	04	11	20
1990-91	17	06	07	02	04	05	11	16
1991-92	13	06	05	04	02	05	06	11
1992-93	13	09	11	03	02	05	09	14
1993-94	15	07	12	03	02	04	06	13
1994-95	09	07	12	03	02	NIL	08	NIL
1995-96	05	03	05	01	NIL	05	08	03
1996-97	13	06	08	03	01	04	01	05
1997-98	NIL	NIL	NIL	NIL	NIL	04	NIL	04
1998-99	03	NIL	NIL	05	NIL	02	NIL	NIL
1999-2000	08	01	08	04	04	NIL	03	NIL
2000-01	05	04	01	02	01	02	01	05
2001-02	14	02	05	02	01	04	02	04
2002-03	13	02	03	03	01	02	01	01
Total	206	95	160	63	45	69	115	149
Grand Total								902